

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 5, 2004

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.; Brian Law and Michael Goclowski, Law Warehouses.

EXCUSED: Chairman Anthony Maiola.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending May 2, 2004 shows retail sales were up .6%, on-premise sales were up around 2.4%, off-premise sales were up about 3.4%, and total aggregate sales were up almost 2.1%. The traffic count increased by 523, as did the average sales ticket by \$.28.

The W-I Total Weekly Sales report for the same week confirms retail sales increased almost 2.1% or \$124,027, and also increased for the year by 7.8% or \$22,441,880. Wine sales were up for the week by slightly over 1% or \$29,130, while they were up 7.82% or \$10,525,161 for the year. Sales of spirits rose almost 3% or \$94,897, and also increased year-to-date by around 7.7% or \$11,916,919.

B. Budget/Administrative Reports:

There was nothing of significance to report this week regarding outstanding depletions or post-offs.

In regards to gift cards, Craig is working with Paymentech in regards to tracking some individual card promotions.

Craig and Aidan will be attending the Governor and Council meeting this morning. The High Point Communications contract is on the agenda.

Craig sent e-mail to John Bunnell regarding HB 1254 which provides funds for the operation of new stores in Seabrook and Bedford. It appears that the personnel section is in question, but the positions for these two stores have already been posted. Craig hopes these issues will be resolved.

The W-6 Expenses Budget Activity Variance Report, which was unavailable for this morning's meeting, should be posted on the internal web site by the end of today.

The auditor has left headquarters, but will be back in a couple of months. His work here appears to have gone smoothly.

Accounting is working on moving monies for the new Seabrook and Bedford locations into the appropriate accounts. In addition, two contracts are to be awarded for security and for septic cleaning services for both Hampton stores.

The American Express rate will change shortly from \$2.25 to \$2.15, which will represent a savings of about \$30,000. It will also provide \$30,000 in cooperative marketing funds to the Commission.

Evie has been focusing on worker's compensation claims. She and Liberty Mutual did an inspection of the Hampton store, and would like to do a few more at some other stores. She will then bring back Liberty's analysis to the Commission meeting for discussion.

She is also working with Law Enforcement on revising the recruitment process. The next step will be to working with store personnel to revise that process.

Evie spoke with the Department of Personnel about obtaining a trainer relative to sexual harassment. Instruction will begin with the Enforcement Bureau.

George Tsiopras mentioned that health insurance rates to be paid beginning July 1st have increased 29%. He said the Commission might want to consider a supplemental budget, and that this may become a statewide problem next year.

2. IT Report

Start up for the Enforcement e-licensing system will begin next Monday. The project will extend into the fall, with most of the work being done this summer.

IT staff is preparing to begin work on the electronic payment system for gift and credit cards. The server is expected to be installed this Friday, and the system should be ready to go about two weeks after that.

Patches for the servers have been installed, and individual desk tops will be handled in five to seven days.

Howard e-mailed instructions for personnel to be able to download as protection against the Sasser Worm virus. He cautioned that users should be sure that they have the latest update on anti-virus software on their home computers.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 5/2/04 increased 1.81% or \$81,619.94. Peter noted that the majority of this increase occurred on Sunday. There are currently two stores that have attained variances over \$1.2 million.

Commissioner Byrne asked that Peter take a closer look at Store #47 Woodstock and Store #11 Lebanon to determine if it makes sense for these two stores to remain open Sunday, as both have been losing sales. Information will be brought back to the Commission for further discussion.

Installation of shelving will begin today at the new Seabrook location. Product mix has been chosen, with a targeted opening date of May 19th. Peter remarked that there has been a lot of local interest there.

There has been further conversation with Hannaford regarding the Bedford store. Peter would like to set up a conference call to attempt a resolution of outstanding issues.

A. Enforcement Summer Seasonal Security Details (tabled from 4/14/04):

This item was discussed and action taken during today's Executive Session.

B. Store #28 Seabrook – Recommended Hours of Operation:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve hours of operation for Store #28, Seabrook, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales, as follows: Monday through Thursday – 10:00 a.m.-7:00 p.m.; Friday – 9:00 a.m.-8:00 p.m.; Saturday – 9:00 a.m.-7:00 p.m.; and Sunday – 10:00 a.m.-6:00 pm. The motion was unanimously adopted.

2. Purchasing Report

John Bunnell reported that there are very few out-of-stocks at this time. They are mostly new test market items or unavailable wines.

A major Verizon telephone outage occurred at around 6:30 a.m. effecting Nashua and Hudson, resulting in internet communications problems. Brian Law said the telephone service at the warehouse was restored at about 7:30 a.m.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Blavod Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Extreme Spirits USA, Inc. for a new test market listing for Blavod Vodka, 750ML size (assigned four-digit Code #3581), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Marimba Tropical & Orange Rums):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Hood River Distilleries for new test market listings for Marimba Tropical Cream Rum, 750ML size (assigned four-digit Code #4432) and Marimba Orange Cream Rum, 750ML size (assigned four-digit Code #4433), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Line Extension Request (1800 Reposado Tequila, 50ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Skyy Spirits for a line extension on 1800 Reposado Tequila, 50ML size (assigned four-digit Code #8470), as this product in the 750ML size has exceeded the gross profit requirement for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Appeals:

a. Code #3707, Danzka Grapefruit Vodka:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from United Beverages, Inc./Future Brands regarding the delisting of Code #3707, Danzka Grapefruit Vodka, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Code #5041, Tequila Rose Cream:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from Martignetti Companies of N.H. regarding the delisting of Code #5041, Tequila Rose Cream, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Promotional Event:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Brown Forman Corporation to conduct a promotional event during Motorcycle Week in conjunction with the sale of Jack Daniels products during June 2004, including a special purchase of Jack Daniels Single Barrel Bourbon and displays to be built in Stores #56 Gilford, #42 Meredith and #23 Conway, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

Nicole reported that a meeting was held with the wine brokers last week to set up a subsequent meeting next week to discuss restricted wine products and to voice their concerns. They also discussed future wine sales. John Bunnell remarked that advertisements have been run in local papers in those towns which have close-out stores. He said bottle sales have taken a large jump, and that inventory is in good shape.

1) New Wine Product Listings:

a. Full Distribution (Code #11868):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution of Code #11868, Riesling Columbia Crest Two Vines, 750ML size, as this item has earned a gross profit of at least \$6,500, the majority of which has been in the retail and on-premise markets, to be available for stores to order as needed, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Full Distribution (Codes #27373 & #38543):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution of Code #27375, Vega Sindoa Tempranillo and Code #38543, Syrah Rock Rabbit Santa Barb., 750ML sizes, as each item has earned a gross profit of at least \$6,500, the majority of which has been in the retail and on-premise markets, to be available for stores to order as needed, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Full Distribution (8 codes – Pine State Trading Co.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution of the following eight (8) wine codes, each of which has earned a gross profit of at least \$6,500, the majority of which has been in the retail and on-premise markets, to be available for stores to order as needed, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #34135, Merlot Turning Leaf, 1.5L; Code #37403, Cabernet Sauvignon Black Swan, 1.5L; Code #37405, Chardonnay Black Swan, 1.5L; Code #37407, Merlot Black Swan, 1.5L; Code #37409, Shiraz Black Swan, 1.5L; Code #39411, Chardonnay Mirassou, 750ML; Code #39412, Merlot Mirassou, 750ML; and Code #39413, Pinot Noir Mirassou, 750ML. The motion was unanimously adopted.

2) Special Offers for June:

a. 4 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of four (4) wine items, to be featured on sale during June 2004, as recommended by Nicole

Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 13 items – United Beverages, Inc.

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of thirteen (13) wine items, to be featured on sale during June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) N.H. State Liquor Commission Wine Tasting (Hanover Rotary):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a wine tasting to be held by the Hanover Rotary Club at the Dartmouth Outing Club on September 16, 2004 from 5:30 to 7:30 p.m., as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Black Box Purchase and Distribution:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Pacific Wine Partners of a special purchase allowance in June 2004 and depletion allowances in July and August 2004 on three (3) Black Box 3L size wines, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Wine Specialty Products (7 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve seven (7) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Not Recommended – Wine Specialty Products (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny two (2) wine codes to be designated as wine

specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated Wines for Distribution to Selected Stores (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) allocated wine for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions (4 items – exclusive agent; 27 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of four (4) wine codes which are not from primary source, but are offered by the exclusive marketing agent and twenty-seven (27) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS - None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated April 29 through May 5, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. Memorial Day Offers – Jack Daniels:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) additional Jack Daniels spirit items to be included in the Memorial Day Sale, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Recommendation Additional Store Hours – Summer Season:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the opening for business on Sundays for Store #39, Wolfeboro, from 9:00 a.m. to 5:00 p.m., a change in store hours Monday through Thursday and Saturday from 9:00 a.m. to 6:00 p.m., and extension of Friday hours from 9:00 a.m. to 7:00 p.m. beginning Sunday, May 30 through Sunday, October 10, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

In addition, it was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the opening of Store #29, Whitefield, on Wednesdays from 10:00 a.m. to 5:30 p.m. beginning Wednesday, June 2 through Wednesday, September 1, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford